

Message Text

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PAGE 01 BUDAPE 01713 01 OF 02 271436Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 STR-07 CEA-01 IO-13
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P R 271344Z APR 78
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC PRIORITY 1324
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY ROME
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMCONSUL MUNICH
USMISSION USNATO

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 1713

E.O.11652: GDS
TAGS: ECON EEWT EIND PINT HU
SUBJECT: CENTRAL COMMITTEE RESOLUTIONS - GENERAL ANALYSIS

REF: BUDAPEST 1649

1. INTRODUCTION: THE EMBASSY SUBMITS HERewith TWO TELE-
GRAMS ANALYZING THE POLITICAL AND ECONOMIC PORTIONS OF THE
CENTRAL COMMITTEE RESOLUTION REPORTED REFTel. IN OUR
OPINION THE MOST SIGNIFICANT ASPECT OF THE RESOLUTION IS
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PAGE 02 BUDAPE 01713 01 OF 02 271436Z

THAT THE CENTRAL COMMITTEE HAS STATED ITS INTENTION OF
PURSUING ECONOMIC REFORM AND RATIONALITY IN AN
ATTEMPT TO MAKE THE HUNGARIAN ECONOMY MORE ABLE TO COPE WITH
ADVERSE INTERNATIONAL ECONOMIC FORCES. WHILE DOING
SO, THE PARTY HAS CAREFULLY RESTATED ITS AND HUNGARY'S
SOCIALIST CREDENTIALS. NEVERTHELESS, BY OUTLINING
AN UPCOMING PERIOD OF PRICE INCREASES AND REDUCED SUB-

SIDIES, IN THE NAME OF GREATER EFFICIENCY, THE PARTY HAS DECLARED ITS INTENTION OF MEETING ECONOMIC PROBLEMS HEAD ON. WHETHER IT WILL BE SUCCESSFUL WILL BE KNOWN ONLY IN THE COMING MONTHS AND YEARS. IT IS CLEAR AT THIS POINT, HOWEVER, THAT THE PARTY'S INTENTION WILL INTRODUCE SOME STRESSES AND STRAINS IN THE SHORT TERM. THE FACT THAT THE RESOLUTION WAS ACCOMPANIED BY SIGNIFICANT CHANGES IN THE PARTY AND GOVERNMENT LEADERSHIP MAY BE A SIGN OF THE STRESSES WHICH WE MUST EXPECT. THE FACT THAT THE PARTY FEELS THAT IT CAN EMBARK ON THIS AMBITIOUS TASK AT THIS TIME IS ANOTHER INDICATION OF THE OVER-ALL STABILITY IN HUNGARY AND THE CONFIDENCE THE PARTY HAS IN ITS POLICIES. END DISCUSSION.

2. SUMMARY: COMING HALFWAY BETWEEN THE XI AND PROJECTED XII HSWP CONGRESS, THE RECENT CENTRAL COMMITTEE MEETING REVIEWED THE WHOLE SPECTRUM OF PARTY POLICY AND ACTIVITY. THE RESOLUTION ISSUED AT CLOSE OF MEETING AFFIRMED PRESENT DOMESTIC AND FOREIGN POLICY LINES, NOTABLY LAST FALL'S DECISION TO RESTRUCTURE AND MODERNIZE INDUSTRY TO MAKE IT COMPETITIVE IN WESTERN MARKETS. ACKNOWLEDGING SERIOUS DIFFICULTIES, HOWEVER, THE CC DECIDED THAT GREATER EFFORTS MUST BE UNDERTAKEN TO IMPROVE ECONOMIC EFFICIENCY, MANAGEMENT AND IMPLEMENTATION OF CC'S AGREED POLICIES. IT CONFIDENTIAL

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PAGE 03 BUDAPE 01713 01 OF 02 271436Z

FRANKLY IDENTIFIED CURRENT BOTTLENECKS IN ECONOMIC SECTOR. THIS CABLE PROVIDES AN OVER-ALL VIEW OF CC APPROACH. END SUMMARY.

3. EMBASSY RECOMMENDS THAT THOSE INTERESTED IN DEPTH IN HUNGARIAN AFFAIRS READ TEXT OF CC RESOLUTION DECIDED UPON APR 19 AND 20. IN STRAIGHTFORWARD AND FRANK TERMS CC PROJECTS A LEADERSHIP WHICH DESPITE DIFFICULTIES IN IMPLEMENTATION, IS DETERMINED TO MODERNIZE HUNGARY'S ECONOMIC STRUCTURE AND INTEGRATE IT INTO WESTERN WORLD TRADING SYSTEM. AT SAME TIME, THAT LEADERSHIP GIVES GREAT ATTENTION TO ASSURING POPULAR SUPPORT BY MAINTAINING CONSUMER ORIENTATION TO EXTENT ECONOMIC CONDITIONS AND RESTRUCTURING OF INDUSTRY PERMIT AND BY MAINTAINING LIBERAL ATTITUDE WITH REGARD TO INDIVIDUAL RIGHTS AND PARTICIPATION AT LOW LEVELS BY POPULACE IN POLITICAL AND ECONOMIC PROCESS. DIFFERENT FACETS OF RESOLUTION MELD WELL INTO ONE CONCEPTION FLOWING FROM XI PARTY CONGRESS AND IMPORTANTLY FROM LAST FALL'S CC DECISION TO REFURBISH ECONOMIC REFORM AND SEEK EXPORT COMPETITIVITY.

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C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 1713

4. CC AT LENGTH EXPRESSED ITS DISSATISFACTION WITH
LAGGING ECONOMIC REFORM AND FINGERS DEFICIENCIES
WHICH MUST BE REMEDIED. PREEMINENTLY, THE RESTRUC-
TURING OF INDUSTRY HAS BEEN TOO SLOW; THE ALLOCATION
OF INVESTMENT HAS BEEN FAULTY AND LACKING IN BASIC
MATERIALS INDUSTRY; MANPOWER ALLOCATION HAS BEEN
POOR, AS HAS BEEN MANPOWER TRAINING; FURTHER EFFORTS
ARE NEEDED TO CAUSE CONSUMER AND PRODUCER PRICES TO
REFLECT REAL INPUTS. FOR THIS BETTER MANAGEMENT IS
NEEDED AS CC POINTED OUT. (IN PART THIS EXPLAINS
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PAGE 02 BUDAPE 01713 02 OF 02 271446Z

NUMBER OF PERSONNEL CHANGES IN GOVERNMENT AND PARTY
CADRE CITED REFTEL.)

5. CC EFFORTS TO PLEASE CONSUMER AND ORDINARY CITIZEN
INCLUDE: A COMMITMENT TO A CONTINUED RISE IN THE LIV-
ING STANDARD; A COMMITMENT THAT WORKERS WILL STILL BE
FREE TO CHANGE JOBS; ENCOURAGEMENT TO PRIVATE HOUSING
CONSTRUCTION AND INCREASED ATTENTION TO PERSISTENT
HOUSING PROBLEMS; A RECOGNITION THAT DEFICIENCIES IN
THE SERVICE INDUSTRIES MUST BE CORRECTED AND THE
IMPLICATION THAT INDIVIDUALS AND COOPERATIVES WILL BE
GIVEN INCENTIVES AND A FREER HAND TO THAT END.

6. ENCOURAGEMENT OF LIMITED ADVANCES AND CONSOLIDATION
OF ADVANCES ALREADY ACHIEVED IN SOCIAL AND POLITICAL
SECTORS SHOULD ALSO HELP ENSURE REGIME'S ECONOMIC
GOALS. THUS THE ALLIANCE POLICY BETWEEN ALL POLITI-
CAL ELEMENTS AND PARTICULARLY THE CATHOLIC CHURCH
WAS TOUTED. THE DEDICATION TO FACTORY DEMOCRACY,
INTERNAL PARTY DEMOCRACY AND CITIZEN PARTICIPATION
AT THE BASE OF MASS ORGANIZATIONS IS STRESSED AND
EXAMPLES OF ACHIEVEMENTS ALREADY REALIZED ARE CITED.

7. FOREIGN POLICIES WERE RELATED TO THE ABOVE. ONE
OF THE FIRST AND MOST MAJOR POINTS RAISED BY CC WAS
HSWP'S DEDICATION TO CSCE PROCESS. IN BOTH FOREIGN
POOLICY AND ECONOMIC POLICY SECTION THERE IS ALSO MADE
CLEAR HSWP'S INTENTION THAT HUNGARY WIDEN ITS EXIST-
ING RELATIONS WITH CAPITALIST COUNTRIES. THE PARTY
IN ITS SPHERE REAFFIRMED ITS MIDDLE OF THE ROAD POSITION

ON EUROCOMMUNISM AND CONFIRMED A MORE RECENTLY
REPEATED INTENTION TO EXPAND RELATIONS WITH SOCIAL
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PAGE 03 BUDAPE 01713 02 OF 02 271446Z

DEMOCRATIC PARTIES.

8. WHILE THUS ANNOUNCING ITS INTENTION TO GO ITS WON
WAY, HSWP DID NOT FAIL TO PUT RELATIONS WITH SOVIET
UNION AND ITS SOCIALIST ALLIES, ITS RELATIONS WITH
CEMA AS WELL, FIRST AT ALL APPROPRIATE OCCASIONS.
VITALLY IMPORTANT AS WELL HSWP WAS ABSOLUTELY CLEAR
ABOUT PERPETUATING PARTY CONTROL OF SOCIETY, THE
CONTINUATION OF THE DICTATORSHIP OF THE PROLETARIAT,
THE STRENGTHENING OF IDEOLOGICAL UNITY AND STATE AND
COOPERATIVE OWNERSHIP OF THE MEANS OF PRODUCTION.

9. COMMENT: IN PREFACE TO ITS RESOLUTION HSWP CC
MAINTAINS IT IS DOING NOTHING NEW BUT FOLLOWING XI

PARTY CONGRESS GUIDELINES. IT IS THE PARTY'S STYLE AND KADAR'S STYLE THAT THIS WOULD BE THE CASE. BUT CHANGE HAS BEEN ACCELERATING IN THE PAST YEAR AND ONE-HALF. ATTEMPTS AT REFORM IN ECONOMIC AND TO A LESSER EXTENT SOCIAL AND POLITICAL INSTITUTIONS HAVE BEEN REINVIGORATED. A DESIRE TO MAKE HUNGARY COMPETITIVE IN THE WESTERN ECONOMY AND TO IMPROVE ITS RELATIONS WITH WEST HAS BECOME EXPLICIT AND IS BEING IMPLEMENTED. SERIOUS PROBLEMS ARE CLEARLY ARISING IN AFFECTING STRUCTURAL ECONOMIC CHANGE, HOWEVER, PARTICULARLY FROM THE MANAGEMENT SIDE AND THESE ARE COMPOUNDED BY WORLD ECONOMIC PROBLEMS. THE HSWP HAS EXPRESSED CLEARLY ITS DETERMINATION TO FACE THE BOTTLENECKS AT HOME AND TO PROCEED ON ITS CHOSEN COURSE. WILGIS

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